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DCI/ICS 0985-87
16 November 1987

MEMORANDUM FOR: Director of Central Intelligence

VIA: Acting Director, Intelligence Community Staff

FROM:

[redacted]
Director, Community Counterintelligence and
Security Countermeasures Office/ICS

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SUBJECT: Issues with State re the Audit/Inspections Unit Functions

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1. This memorandum responds to oral instructions from [redacted] O/DDCI, on 13 November 1987 to provide a list of issues raised by State regarding the implementation of the paragraphs entitled "Audit/Inspection Functions" in the 22 October 1987 letter from Colin Powell providing Presidential instructions on embassy security. [redacted]

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2. As you are well aware, and as specified in the Powell letter, polygraph usage is the principal point of disagreement on embassy security between State and the Intelligence Community. [redacted]

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3. Specific issues, discussed below, stem from an apparent basic disagreement between the State member of the working group, established by the DDCI on options to implement the audit/inspections functions, and the other members thereof. The State member appears to view the audit/inspection functions as a sub-element of the general responsibility of the Secretary of State to provide a secure environment in foreign missions, a task generally assigned to the Bureau of Diplomatic Security. The audit/inspection unit, consequently, should be small and should rely on Diplomatic Security for its guidance and most of its information flow. Independent activity should be limited to the certification of the security of foreign missions. In my view, the remainder of the working group views the objective of the relevant paragraphs in the Powell letter as calling for a freestanding, independent entity that can perform functions like those normally performed by a firm of Certified Public Accountants and/or an independent Inspector General. Such functions would include examination of the paper record, processes, and physical attributes of the entity being audited by examiners not beholden to

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the entity being audited. Resolution of this diverse view of what is intended in the Powell letter may be necessary before the specific issues can be resolved.

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4. To date there are two specific issues.

- o State would prefer to have the audit/inspections unit set standards limited to physical and technical security. The State member of the working group continues to profess particular departmental objection to the involvement of the audit/inspections unit in any way with standards for personnel security or monitoring compliance with such standards. The remainder of the working group strongly believes that any security judgment that does not take personnel security into account is fatally flawed.

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- o State would prefer that the audit/inspections unit have but little or no independent inspection capability. Most recently, the State member of the working group proposed a small inspection unit (c. ten persons) that could physically investigate in highly unusual circumstances. The State-preferred implementation would have the audit/inspections unit rely on agency (primarily Diplomatic Security) inspection reports for its audit/certification. In my view, and as indicated in paragraph three above, the rest of the working group believes that the audit/inspection unit will be able to perform an independent audit only to the degree that it can have access to an independent inspection; the inspection unit, consequently, should be as large as deemed affordable by the executive and legislative branches acting together. In a practical sense, this issue will be large or small depending on the total resources applied to the effort. If the audit/inspections functions are to be performed with much under a hundred people, there may not be a significant issue. If the unit is to be much over a hundred or larger, there is an issue.

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5. I believe that State will find additional issues as the audit/inspection unit takes form unless it is of such limited size that independent views and actions are either impossible or constrained to a small number (e.g., less than five) of missions at any point in time. In brief, State people have not given up the fight to prevent the creation of a system wherein someone is looking over their shoulders and, in their collective view, telling them how to do their business. Some degree of State resistance to the audit/inspections functions, consequently, should be expected to continue even

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if you and the Secretary of State reach full and amicable agreement on all aspects of what a Foreign Missions Security Office should do, should be, and should cost.

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D/CCISCMO/ICS: [REDACTED] 16 November 1987)

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